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DEPARTMENT FOR EAP, EAP/MTS

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TAGS: [PGOV](#) [ECON](#) [EFIN](#) [ID](#)

SUBJECT: GROWING IMPORTANCE OF REGIONAL AND LOCAL GOVERNMENT

REF: 05 JAKARTA 13215

Classified By: Ambassador Cameron R. Hume, for reasons 1.4 (b,d).

11. (C) Summary: Indonesia's future increasingly depends on the provinces and regencies, whose recent constitutional changes are taking hold. Over the medium-to-long term, how will provincial and local governments handle their enhanced revenue flows? How much political power will direct elections shift to governors and regency heads (bupatis)? Governors, who previously were responsible to the Ministry of Home Affairs and appointed by the President, now have to pay attention to their constituencies if they wish to remain in office. In turn, national parties have to listen more carefully to local leaders, who can garner regional or local support. This message examines political implications of decentralization as it has evolved since the 2004 legislation (reftel focused primarily on the fiscal implications). End Summary

#### Choosing Decentralization

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12. (C) Besides the advent of national democratic structures, just as important has been the increasing shift of power away from the center to the provincial and regency levels. The course of democracy that we have traversed in over two centuries in America is less than ten years old in Indonesia.

While the U.S. emerged from a union of sovereign states, modern Indonesia was one of the most heavily centralized countries in the world, which emphasized national unity and oneness. Regional variations have always been viewed with suspicion by the center because of the possible strengthening of the many separatist movements that this country has had to contend with. Local authority or initiative tended to be discouraged.

13. (C) Despite the inherent prejudice towards centralization, Indonesian leaders adopted decentralization and election laws that have moved major resources and responsibilities away from the center to the regency level. In effect, the equivalent of county-sized units of government have benefited from block grants, but also have been told that they must take care of many basic human needs, such as education. Not surprisingly, we are already seeing real differences between the managerial qualities from one region to another. More importantly, we are seeing a plethora of new local laws in a variety of areas, differing from regency to regency, some of which have raised important constitutional questions, notably with respect to freedom of religion. Some communities have used their new freedom to introduce Islamic sharia law, in contravention of constitutional principles of freedom of religion. Formal and informal authority for commercial decisions, such as the granting of business licenses and investment approvals, also remains unclear, increasing confusion and creating new opportunities for graft.

¶4. (C) Many of the issues that are leading to confusion and gridlock surround the unclear division of powers that currently exist between the central and local governments. A number of regencies have adopted laws on religious practice and morality that contradict the constitution. Others are imposing business and tax regulations that are taking investors by surprise. Others have simply added new layers of corruption. The confusion is regularly acknowledged by the press, and the Ministry of Home Affairs has repeatedly stated its intention of reviewing local legislation to judge its legality, but we have heard that in practice nothing is being challenged by the ministry. Religious minorities have filed various cases in the courts to seek redress. Complicating matters is that the law that established the Constitutional Court, which has already made courageous decisions in support of constitutional values, does not include local laws within its jurisdiction. Most legal scholars interpret the law to mean that the Supreme Court, which is the highest court with respect to criminal matters, would have to decide any challenge to a local law on constitutional grounds.

¶5. (C) At a political level, the diffusion of power to the regions and counties by definition dilutes the power of what are very centralized political parties. For the national legislature, the parties choose the candidates from the center and they are able to impose party discipline because the law allows them to remove dissidents from their parliamentary seats by informing the legislature they are no longer party members. Although only time will tell, we can expect that the ongoing rounds of local elections to strengthen local officials within their respective party structures as well as instill the almost currently non-existent concept of servicing local constituencies.

¶6. (C) On the potential negative side, we cannot forget that the Indonesian military still very much sees itself as the guarantor of national unity. If any given area or region is perceived as using its new powers and finances in a manner that smacks of separatism, we can expect a strong reaction at the national level. Similarly, the police is being maintained as a national organization responsible to the center. In order to see positive progress no region should interpret new economic or other successes as a ticket to breaking away. Given the success of the Aceh Memorandum of Understanding to date, at this time separatist movements seem to be at a low, with the strongest sentiments probably in Papua. Maluku has been much quieter in recent years with the violence in Sulawesi not of a separatist ilk, but more the attempts of extremists to reignite communal conflict.

¶7. (C) While it would be foolhardy to assume rapid change as this process moves forward, Indonesia has created for itself a new structure that if fully implemented, will restructure the relationship of its citizens to their government, and possibly create unforeseen results. Given the size of the country, serious management by all levels of government of the effect of those changes will remain an important challenge for many years to come, and our following them systematically will give us indications of the true path we can expect for Indonesia's future in a broad range of domains.  
HUME